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The AGRICULTURAL OUTLOOK DIGEST

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The downward trends in cash receipts from farm marketings and prices of farm products are expected to continue through 1950.

Both receipts and prices probably will be about 10 percent lower in 1950 than this year--about the same as the drops from 1948 to 1949.

As is the case this year, farmers' production costs are likely to decline less than their gross income. As a result, farmers' realized net income is likely to be down somewhat more than their gross.

Prospects for a reduction in cash receipts from sales of farm products stem mainly from the likelihood of lower prices. However, there also is a possibility that farmers will sell less than in 1949.

With average growing conditions in 1950, crop output may be down considerably from this year. Acreage allotments have been announced for wheat and cotton and are probable for other crops. Marketing quotas for cotton have been proclaimed and will go into effect if approved by cotton farmers in a referendum to be held December 15.

Increased output of livestock and products, however, is expected to keep the decline in total agricultural production slight. Numbers of livestock on farms are increasing. The supply of feed is large.

Here are some of the price support provisions of the Agricultural Act of 1949 which had been passed by Congress but not acted upon by the President when this was written: Support at 90 percent of parity for the 1950 crops of "basic" commodities, wheat, corn, cotton, rice, tobacco and peanuts; at 75 to 90 percent for whole milk and butterfat; at 60 to 90 percent for wool (including mohair), potatoes, tung nuts and honey. Support for other commodities is not mandatory but may be set at any level up to 90 percent of parity at discretion of Secretary of Agriculture.

Until 1954, parity prices for basic commodities will be calculated by present method and by a new method provided by the Act. The higher level will apply. This means that parity prices in 1950 for wheat, corn, cotton and peanuts probably will be figured under present formula; those for major types of tobacco and rice under new formula. All nonbasic commodities will be figured under the new formula.

The slackening in economic activity this year has weakened demand for farm products. Nearly all of the measures of production, employment, prices and income are down from the postwar peaks of 1948. Declines have not been large and in many cases they have been minor. By prewar standards, economic activity still is very high.

Changes in the way consumers spend their incomes also have tended to weaken demand for farm products. In the second quarter of this year, consumers spent about 26 percent of their income for food, compared with 28 percent in 1948 and 23 percent before the war. On the other hand, expenditures for automobiles increased.

The prospect is that economic activity will continue to decline slowly through 1950 despite some recovery in manufacturing output this summer. As a result, a further slight weakening in demand for farm products is likely.

Consumer spending may slacken further as the backlog demands for automobiles disappear. However, the checks for three billion dollars of veterans insurance refunds expected to be mailed in the first half of 1950 will help maintain consumer expenditures, particularly for durable goods. The percentage of consumer income spent for farm products probably will decline further.

Outlays by business for plant and equipment, which dropped only slightly this year, are expected to fall moderately in 1950. The housing boom probably will lose momentum but will not drop far below this year. Public construction under the new housing act will help keep residential building at a high level.

Economic activity will be strengthened, on the other hand, by increasing governmental expenditures--federal, state and local--at least through the first six months. The outlook for the second six months is uncertain. Appropriations for 1950-51 will not be considered until early next year.

The increase in government spending is not likely to be large enough to offset declines in other parts of the economy unless defense spending increases materially. If this happens economic activity would be strengthened generally.

Lower domestic demand for farm products next year is expected to be accompanied by reduced foreign takings. The value of our agricultural exports next year may be as much as 10 percent below 1949.

During the first half of this year we shipped 2 billion dollars worth of farm products abroad, a fifth more than a year earlier and only 5 percent less than the record set during the first half of 1947.

LIVESTOCK AND MEAT Larger pig crops this year than last and a further moderate increase in next spring's crop probably mean 8 to 10 percent more pork in 1950 than in 1949. The seasonal decline in price of hogs this fall is expected to be larger than usual.

The number of cattle on farms apparently is increasing slowly, indicating more beef and veal in the years ahead. For 1950, however, beef and veal output probably will be about the same as in 1949. Because of the abundance of grain, an unusually large part of it again will come from grain fed cattle. With demand continuing strong, cattle prices are likely to continue near 1949 levels.

Output of lamb and mutton may drop under low 1949 levels if sheepmen start to rebuild herds. Prices of sheep and lambs are expected to be relatively higher than those of other livestock.

DAIRY PRODUCTS With demand a little weaker and exports smaller, prices for milk and dairy products in 1950 are likely to average lower than this year. Output of milk will be at least as large as in 1949; storage stocks January 1 will be relatively large.

The 5-year drop in the number of dairy cows ended this year. Number of milk cows is now lowest on record in relation to the population. However, production per cow is a record. Nonfat ingredients of milk are more completely utilized. Consumption of all dairy items, except butter, is above prewar.

POULTRY AND EGGS Prices farmers receive for eggs and chickens probably will average lower in 1950 than in 1949. Consumer demand will be weaker. Supplies of eggs will be large enough to provide a high rate of consumption. Government purchases will be necessary even if the support price is lowered. Chicken supplies per person will be only moderately lower than this year.

FATS AND OILS High production and a moderate decline in demand is expected to result in lower prices of fats and oils in 1949-50.

Output of fats and oils from domestic materials is expected to total more than 11.8 billion pounds in 1949-50, a new record. Vegetable oil production will decline because of smaller soybean and peanut crops this year. This will be more than offset by increases in output of lard and greases.

Exports of fats and oils probably will drop from the record of 1948-49 but again will be unusually large.

FEEDS With the supply of concentrates a record, feed grain prices are likely to average lower in 1949-50 than in 1948-49 and to stay under support levels. Prices of low protein feeds are expected to continue relatively low; those of high protein feed are likely to remain high compared with prices of most other feeds.

WHEAT Given normal weather, another billion bushel wheat crop is probable next year, even if acreage allotments result in a 10 million acre reduction in seedings. Exports from the 1950 crop may total about 400 million bushels; domestic use about 700 million. In this case, carryover of wheat on July 1, 1951 would be about the same as the 300 million bushels expected from this year's crop.

FRUITS AND VEGETABLES Since consumer demand for fruit is expected to be nearly as strong in 1950 as this year, prices will depend largely on production.

With average weather in 1950, the deciduous fruit crops would be smaller than this year. In this case, prices probably will average a little higher.

The early and mid-season orange crops are larger than last year. Prices are expected to drop when shipments in volume begin but processing demand probably will keep them higher than in late 1948. The grapefruit crop is a fourth under last year. Prices are expected to stay well above those of the fall of 1948.

Storage supplies of cabbage, onions and carrots from now until early spring probably will be considerably smaller than a year earlier; farmers' prices are expected to be somewhat higher.

Since the potato crop in the late States was down about 15 percent from a year earlier, prices to growers probably will average above the 60 percent support level. However, substantial price support purchases will be necessary in some areas.

COTTON AND WOOL Disappearance of cotton in 1949-50 is expected to be about equal last season's total of $12\frac{1}{2}$ million bales. With supplies for the season estimated at 20.7 million, stocks next August 1 are expected to be around 8.2 million bales.

Prices for most domestic wools probably will be near or below CCC purchase prices next year, with fine grades expected to be down more than medium grades.

TOBACCO Demand for cigarette-type tobacco leaf in 1950 is expected to stay fairly strong. Prices probably will average about the same as in 1949. Supplies of flue-cured, burley and Maryland types of tobacco for 1950 are larger than for this year.

Manufacture of smoking tobacco in 1950 is expected to be as large or larger than this year. Chewing tobacco consumption is likely to continue to decline. No great changes in cigar and snuff consumption are anticipated.